

## APPENDIX

Revenue Act of 1918, c. 18, 40 Stat. 1057:

SEC. 210. That, in lieu of the taxes imposed by subdivision (a) of section 1 of the Revenue Act of 1916 and by section 1 of the Revenue Act of 1917, there shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax at the following rates:

\* \* \* \* \*

SEC. 222. (a) That the tax computed under Part II of this title shall be credited with:

(1) In the case of a citizen of the United States, the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States; and

\* \* \* \* \*

SEC. 260. That any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States, shall be subject to taxation under this title only as to income derived from sources within the United States, and in such case the tax shall be computed and paid in the same manner and subject to the same conditions as in the case of other persons who are taxable only as to income derived from such sources.

SEC. 261. That in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid in ac-

cordance with the provisions of the Revenue Act of 1916 as amended.

Returns shall be made and taxes shall be paid under Title I of such Act in Porto Rico or the Philippine Islands, as the case may be, by (1) every individual who is a citizen or resident of Porto Rico or the Philippine Islands or derives income from sources therein, and (2) every corporation created or organized in Porto Rico or the Philippine Islands or deriving income from sources therein. An individual who is neither a citizen nor a resident of Porto Rico or the Philippine Islands but derives income from sources therein, shall be taxed in Porto Rico or the Philippine Islands as a nonresident alien individual, and a corporation created or organized outside Porto Rico or the Philippine Islands and deriving income from sources therein shall be taxed in Porto Rico or the Philippine Islands as a foreign corporation. For the purposes of section 216 and of paragraph (6) of subdivision (a) of section 234 a tax imposed in Porto Rico or the Philippine Islands upon the net income of a corporation shall not be deemed to be a tax under this title.

The Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income tax laws in force in Porto Rico or the Philippine Islands, respectively.

\* \* \* \* \*

SEC. 1400. \* \* \*

(b) Such parts of Acts shall remain in force for the assessment and collection of all taxes which have accrued thereunder, and for the imposition and collection of all penalties or forfeitures which have accrued

and may accrue in relation to any such taxes, and except that the unexpended balance of any appropriation heretofore made and now available for the administration of any such part of an Act shall be available for the administration of this Act or the corresponding provision thereof: *Provided*, That, except as otherwise provided in this Act, no taxes shall be collected under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917, or Title I or II of the Revenue Act of 1917, in respect to any period after December 31, 1917: \* \* \*

Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 shall remain in force for the assessment and collection of the income tax in Porto Rico and the Philippine Islands, except as may be otherwise provided by their respective legislatures.

Revenue Act of 1921, c. 136, 42 Stat. 227:

SEC. 250. \* \* \*

(d) The amount of income, excess-profits, or war-profits taxes due under any return made under this Act for the taxable year 1921 or succeeding taxable years shall be determined and assessed by the Commissioner within four years after the return was filed, and the amount of any such taxes due under any return made under this Act for prior taxable years or under prior income, excess-profits, or war-profits tax Acts, \* \* \* shall be determined and assessed within five years after the return was filed, \* \* \* *Provided further*, That in the case of a false or fraudulent return with intent to evade tax, or of a failure to file a required return, the

amount of tax due may be determined, assessed, and collected, and a suit or proceeding for the collection of such amount may be begun, at any time after it becomes due: \* \* \*.

Revenue Act of 1938, c. 289, 52 Stat. 447:

SEC. 813. REMISSION OF INTEREST AND PENALTIES ON TAXES IMPOSED BY THE REVENUE ACTS OF 1917 AND 1918 UPON CITIZENS IN A POSSESSION OF THE UNITED STATES AND CERTAIN DOMESTIC CORPORATIONS.

(a) Income, war-profits, and excess-profits taxes imposed by the Revenue Act of 1917 or the Revenue Act of 1918 for any taxable year shall, in the case of the following taxpayers, be assessed, collected, and paid, without the assessment, collection, or payment of interest incurred prior to July 1, 1939, or of penalties, additional amounts, or additions to tax, incurred prior to the date of the enactment of this Act:

(1) Individuals who were bona fide residents of a possession of the United States for more than six months during such taxable year and who were taxable as citizens of the United States; and

(2) Persons who for such taxable year would have been entitled to the benefits of section 262 of the Revenue Act of 1921 had such section formed a part of the Revenue Act of 1917 or the Revenue Act of 1918.

(b) If, in the case of taxpayers described in subsection (a), any tax referred to in such subsection is not paid on or before June 30, 1939, then, notwithstanding the provisions of subsection (a) of this section, interest at the rate of 6 per centum per annum shall be collected on such unpaid amount from such date until it is paid.

(c) No distraint or other proceeding for the collection of such taxes shall be made, begun, or prosecuted prior to July 1, 1939.

(d) Any interest, penalties, additional amounts, or additions to tax paid within two years preceding the date of the enactment of this Act by any taxpayer described in subsection (a) with respect to income, war-profits, or excess-profits taxes imposed by the Revenue Act of 1917 or the Revenue Act of 1918 for any taxable year, shall be refunded or credited without interest, if claim therefor is filed by such taxpayer prior to July 1, 1939.

#### Internal Revenue Code:

##### SEC. 1119. PROVISIONS OF SPECIAL APPLICATION TO TRANSFEREES.

(a) *Burden of proof.*—In proceedings before the Board the burden of proof shall be upon the Commissioner to show that a petitioner is liable as a transferee of property of a taxpayer, but not to show that the taxpayer was liable for the tax.

Treasury Regulations 45 (original as well as 1920 ed.):

ART. 1131. *Income tax in Porto Rico and Philippine Islands.*—In Porto Rico and the Philippine Islands the Revenue Act of 1916, as amended, is in force and the Revenue Act of 1918 is not. See also section 1400 of the statute. No credit against net income is allowed individuals and no deduction from gross income is allowed corporations with respect to dividends received from a foreign corporation (foreign with respect to the United States) taxed in Porto Rico or the Philippines, but

having no income from sources within the United States.

ART. 1132. *Taxation of individuals between United States and Porto Rico and Philippine Islands.*—(a) A citizen of the United States who resides in Porto Rico, and a citizen of Porto Rico who resides in the United States, are taxed in both places, but the income tax in the United States is credited with the amount of any income, war profits and excess profits taxes paid in Porto Rico. See section 222 of the statute and articles 381-384. (b) A resident of the United States, who is not a citizen of Porto Rico, is taxable in Porto Rico as a nonresident alien individual on any income derived from sources within Porto Rico, but the income tax in the United States is credited with the tax paid in Porto Rico. (c) A resident of Porto Rico, who is not a citizen of the United States, is taxable in the United States as a nonresident alien individual on any income derived from sources within the United States, and receives no credit. See also section 260 and article 1121. The same principles apply in the case of the Philippine Islands.

ART. 1133. *Taxation of corporations between United States and Porto Rico and Philippine Islands.*—(a) A United States corporation which derives income from sources within Porto Rico, (b) a Porto Rico corporation which derives income from sources within the United States, and (c) a corporation of a foreign country which derives income both from sources within Porto Rico and from sources within the United States, are all taxed in both places. In the case of the United States corporation the

income, war profits and excess profits taxes in the United States are credited with the amount of any income, war profits and excess profits taxes paid in Porto Rico. In the case of the Porto Rico corporation there is no such credit. See section 238 of the statute and article 611. The corporation of the foreign country deriving income from both places is subject to no double taxation so far as the United States and Porto Rico are concerned. For the purpose of withholding a Porto Rico corporation is a foreign corporation. See section 237 and article 601. The same principles apply in the case of the Philippine Islands.

